

## Message Text

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PAGE 01 RIO DE 01607 061822Z  
ACTION ARA-14

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R 061620Z APR 78  
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TO USDOC WASHDC  
INFO SECSTATE WASHDC 6087  
AMEMBASSY BRASILIA  
AMCONSUL SAO PAULO

UNCLAS RIO DE JANEIRO 1607

E.O. 11652: N/A  
TAGS: BEXP, BR  
SUBJECT: BRAZILIAN COMPUTER SOFTWARE MARKET

REF: USDOC 5727

1. CONGEN OFFICER MET WITH LOCAL COMPUTER INDUSTRY REP  
TO DISCUSS QUESTIONS RAISED IN PARA 2 OF REFTEL. IN  
GENERAL, DISCUSSION INDICATED THAT A MARKET EXISTS FOR  
COMPUTERIZED PERSONNEL SYSTEMS, BUT THAT GOB REGULATIONS  
ON TECHNOLOGY TRANSFER AND LICENSING COULD ALSO AFFECT

THE OPERATING CONDITIONS OF U.S. FIRMS SEEKING TO ENTER  
THE SOFTWARE MARKET.

2. THE FOLLOWING ARE RESPONSES TO THE SPECIFIC QUESTIONS  
RAISED IN REFTEL (LETTERED IN CORRESPONDING ORDER TO

QUESTIONS IN REFTEL):

(A) TO DATE, THERE IS A RELATIVELY SMALL DEGREE

OF PERSONNEL APPLICATIONS IN BRAZIL. HOWEVER,  
FIRMS WITH ACCESS TO COMPUTER UTILITIES AND  
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SOFTWARE SYSTEMS DESIGNED FOR THIS PURPOSE  
SEEM OPEN TO IMPLEMENTING COMPUTERIZED PERSONNEL  
SYSTEMS.

(B) COMPUTERIZATION WOULD BE DESIRABLE IN VIEW OF  
GOB SOCIAL SECURITY REGULATIONS WHICH, SIMILAR  
TO U.S. PROCEDURE, REQUIRE CONTRIBUTIONS BY BOTH  
EMPLOYER AND EMPLOYEE, THE LATTER BEING DEDUCTED

FROM EMPLOYEE PAYCHECKS.

(C) THERE ARE NO PRIVACY LAWS WHICH WOULD INHIBIT THE INSTALLATION OF PERSONNEL DATA SYSTEMS.

(D) THERE ARE A NUMBER GOB REGULATIONS WHICH WOULD INFLUENCE THE PURCHASE OF SOFTWARE PRODUCTS FROM U.S. FIRMS. THE INPI (NATIONAL INDUSTRIAL PROPERTY INSTITUTE) HAS AUTHORITY TO REGULATE LICENSING AGREEMENTS AND TECHNICAL ASSISTANCE CONTRACTS FOR INTERNATIONAL TRANSFER OF TECHNOLOGY TO BRAZIL. UNDER MOST CIRCUMSTANCES, BRAZILIAN FIRMS PURCHASING SOFTWARE FROM U.S. SOURCE WOULD HAVE TO APPLY FOR INPI PERMISSION. INPI CAN THEN APPROVE OR DENY THE REQUEST AND ALSO HAS AUTHORITY TO RECOMMEND CHANGES IN THE TERMS OF SUCH AGREEMENTS. IT IS ALSO POSSIBLE FOR A U.S. FIRM TO SET UP A BRAZILIAN SUBSIDIARY TO MARKET SOFTWARE, WITH ITS REPATRIATED PROFITS ABOVE 12-0/0 OF CAPITALIZATION SUBJECT TO SPECIAL TAXATION BY THE GOB. SINCE A BRAZILIAN SOFTWARE SUBSIDIARY WOULD PRESUMABLY REQUIRE LITTLE CAPITAL INVESTMENT, REPATRIATED PROFITS WOULD AMOUNT TO A LARGER PERCENTAGE OF THIS INVESTMENT. OTHER APPLICABLE REGULATIONS VARY DEPENDING ON THE MANNER IN WHICH BUSINESS IS TRANSACTED. HENCE, IT WOULD BE ADVISABLE FOR ANY FIRM INTERESTED IN SALES TO BRAZIL TO PROVIDE

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MORE SPECIFIC INFORMATION ON THE WAY IN WHICH IT PLANS TO DO BUSINESS IN ORDER TO PROVIDE THE MOST RELEVANT DESCRIPTION OF APPLICABLE GOB REGULATIONS.

(E) THERE ARE ROUGHLY 120 FIRMS IN BRAZIL WITH MORE THAN 5000 EMPLOYEES.

(F) PERSONNEL MANAGEMENT IS GIVEN RELATIVELY HIGH PRIORITY WITH RESPECT TO EXECUTIVE AND SKILLED TECHNICAL PERSONNEL. THERE IS A SHORTAGE OF WELL-TRAINED EXECUTIVES AND TECHNICIANS IN BRAZIL, WHICH RESULTS IN RELATIVELY RAPID TURNOVER IN THESE POSITIONS. HENCE, BRAZILIAN FIRMS TAKE SPECIAL CARE TO MAINTAIN THESE TYPES OF EMPLOYEES.

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